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Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

PROCESSED BY
14-14-X
MAR 24 1992

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION OF THE SECURITIES EXCHANGE ACT OF

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For the transition period from _____ to

Commission file number 0-17430

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GLOBAL ENVIRONMENTAL CORP.

(Exact name of registrant as specified in its charter)

392-2234

New York (State of other jurisdiction of incorporation or organization)	13-3431486 (I.R.S. Employer Identification No.)
P.O. Drawer C, 5189 Stump Road Plumsteadville, PA (Address of principal executive offices)	18949 (Zip Code)

(215) 766-2730

(Registrant's telephone number, including area code)

Not Applicable

(Former name and address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Outstanding at January 31, 1992
$.0001 par value	2,306,295

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

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GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

ASSETS

	January 31, 1992	October 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 937,825	$ 998,113
Accounts receivable, less allowance for doubtful accounts of $66,863 and $52,192 respectively	1,403,899	2,036,981
Inventories	1,192,533	909,991
Costs and estimated earnings i. excess of billings on uncompleted contracts	153,853	22,801
Prepaid expenses and other	180,778	88,794
Total current assets	$ 3,868,888	$ 4,056,680
PROPERTY, PLANT AND EQUIPMENT, at cost		
Land	150,797	150,797
Building and improvements	1,822,325	1,822,325
Equipment	2,032,580	1,968,981
	4,005,702	3,942,103
Less - Accumulated depreciation and amortization	<1,881,087>	<1,81[illegible],030>
Total property, plant and equipment, net	2,124,615	2,123,073
OTHER ASSETS:		
Favorable lease terms, net of amortization of $107,917 and $99,167 respectively	67,083	75,833
Covenant not-to-compete, net of amortization of $123,333 and $113,333 respectively	76,667	86,667
Goodwill, net of amortization of $13,313 and $11,994 respectively	92,133	93,452
Other	333,274	314,013
Total other assets	569,157	569,965
Total Assets	$ 6,562,660	$ 6,749,718

The accompanying notes are an integral part of these consolidated balance sheets

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	January 31, 1992	October 31, 1991
CURRENT LIABILITIES:		
Revolving loan agreement	$ 591,790	$ 512,083
Current portion of long-term debt	131,067	131,067
Accounts payable	660,963	793,788
Billings in excess of costs and estimated earnings on uncompleted contracts	277,495	222,868
Accrued salaries and wages	158,305	130,641
Accrued expenses, other	380,950	395,333
Total current liabilities	2,200,570	2,185,780
LONG-TERM DEBT, less current portion	2,500,752	2,535,863
Total liabilities	4,701,322	4,721,643
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, par value $.0001 per share 20,000,000 shares authorized, 2,401,874 shares issued.	240	240
Preferred stock, no par; 5,000,000 shares authorized in 1991 no shares issued	---	---
Additional paid-in capital	1,844,979	1,844,979
Retained earnings	16,119	182,856
Less: Treasury stock, 97,579 shares at cost	---	---
Total stockholders' equity	1,861,338	2,028,075
Total Liabilities and Stockholders' Equity	$ 6,562,660	$ 6,749,718

The accompanying notes are an integral part of these consolidated balance sheets.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended January 31	
	1992	1991
NET SALES	$2,134,774	$3,996,426
COST OF GOODS SOLD	1,712,097	3,198,437
Gross profit	422,677	797,989
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	610,066	683,047
Income <loss> from operations	<187,389>	114,942
INTEREST EXPENSE	61,646	80,480
Income <loss> before income taxes	<249,035>	34,462
PROVISION FOR INCOME TAXES <BENEFIT>	<82,300>	14,300
NET INCOME <LOSS>	$ <166,735>	$ 20,162
Net income <loss> per share	$ < .07>	$ .01
Weighted average shares outstanding	2,444,073	2,326,874

The accompanying notes are an integral part of these consolidated statements.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended January 31,	
	1992	1991
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income <loss>	$ <166,735>	$ 20,162
Adjustments to reconcile net income <loss> to net cash provided by operating activities - Depreciation and amortization	92,546	83,858
Net (increase) decrease in noncash current assets:		
Accounts receivable	633,082	372,254
Inventories	<282,542>	<115,034>
Costs and estimated earnings in excess of billings on uncompleted contracts	<131,052>	< 6,294>
Prepaid expenses and other	< 91,986>	110,991
Net increase (decrease) in nondebt current liabilities:		
Accounts payable and accrued contract costs	< 85,825>	< 58,485>
Billings on uncompleted contracts in excess of costs & estimated earnings	54,627	142,464
Accrued salaries and wages	27,664	< 10,910>
Accrued expenses	< 14,383>	2,384
<Increase> decrease in other assets	< 29,661>	3,703
Net cash provided by operating activities	5,715	545,093
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	< 63,599>	< 39,050>
Net cash used in investing activities	< 63,599>	< 39,050>

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

	Three Months Ended January 31,	
	1992	1991
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowings <repayments> under revolving loan agreement	32,707	<450,759>
Repayments of long-term debt	< 35,111>	< 81,596>
Proceeds from the issuance of long-term debt	0	24,082
Net cash used in financing activities	< 2,404>	<508,273>
NET CHANGE IN CASH	< 60,288>	< 2,230>
CASH, beginning of period	998,113	123,979
CASH, end of period	$ 937,825	$ 121,749

The accompanying notes are an integral part of these consolidated statements.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 1992 AND 1991

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The unaudited interim consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying unaudited interim consolidated financial statements and related notes should be read in conjunction with the financial statements and related notes included in the Company's Form 10-K for the year ended October 31, 1991. Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. The results of operations for the 3 months ended January 31, 1992 are not necessarily indicative of results to be expected for the full year.

The corporate structure consists of five companies including Global Environmental Corp. (Global) the parent corporation. The subsidiaries include Global Environmental Holdings, Inc. (Global Holdings), Danzer Metal Works Company, Inc. (Danzer), Texcon Inc. (Texcon), and Rage, Inc. (Rage). Danzer, Rage and Texcon are wholly owned subsidiaries of Global Holdings.

Revenue Recognition

Danzer is principally engaged in the design, manufacture and installation of sheet metal products and fabrications. Products are normally produced based upon specifications received from customers. Revenues are recognized when products are shipped to the customer. Rage is an engineering firm engaged primarily in the design and assembly of conveying systems for the handling of bulk materials for industry. Revenues are recognized utilizing the percentage of completion "cost-to-cost" method of accounting for its contracts. Texcon is engaged in engineering, design and maintenance of environmental systems as well as providing on-site environmental monitoring and measurement of particulates, fumes and vapors. Texcon utilizes the percentage of completion "cost-to-cost" method of accounting for its systems contracts.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Included in inventory is work-in-process of $594,673 at January 31, 1992 and $322,699 at October 31, 1991.

Property, Plant and Equipment

Property, plant and equipment is depreciated on the straight-line method over the following estimated useful lives:

Building and improvements	10 to 30 years
Equipment	5 to 20 years

Cash Equivalents

Cash equivalents consist of unsecured money market instruments and U.S. Treasury Bonds stated at cost, which approximates market.

2. LONG TERM DEBT:

On April 25, 1991, the Company closed a financing agreement with Renaissance Capital Group, Inc. (Renaissance) whereby Global issued to Renaissance a 12-1/2% convertible debenture (convertible into common stock) with a face value of $1,250,000. Principal payments under the debenture begin July 1, 1994 at a rate of $40,000 per quarter. The debenture requires quarterly payments of interest and matures on March 31, 1998. The debenture is convertible at any time and Renaissance can redeem the debenture on a declining premium basis as the debenture nears maturity. The conversion price of $.90 per share is equivalent to approximately 1,389,000 common shares and carries certain anti-dilution provisions. The debenture is callable until March 31, 1994.

3. COMMITMENTS AND CONTINGENCIES:

Subsidiaries of Global have entered into leases for various equipment and facilities. Future minimum lease payments under these agreements are as follows for the years ended October 31:

1992	66,397
1993	73,831
1994	15,991
1995	2,156
1996	0
	$158,375

4. COMMON STOCK:

Global's initial public offering consisted of 400,000 stock and warrant units. At January 31, 1992, each unit consisted of one common share and three Class B redeemable common stock purchase warrants. Each Class B warrant entitled the holder to purchase one share of common stock at the price of $5.00 per share. The warrants were redeemable by Global on thirty days notice at a price of $.001 per warrant. The Class B warrants expired February 28, 1992. At January 31, 1992, there were approximately 1,199,500 Class B warrants outstanding and exercisable.

All references in the accompanying consolidated financial statements and related notes with respect to common stock, warrants and per share amounts have been retroactively adjusted for a 100 to 1 reverse stock split on October 24, 1989.

Under the Company's stock option plan, 800,000 shares of the Company's common stock were reserved for issuance pursuant to the plan. As of January 31, 1992, 11 employees and directors have received options issued under the plan representing a total of 760,000 shares.

5. EARNINGS PER SHARE:

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents (dilutive effect of warrants and stock options outstanding) outstanding during the period.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATION:

Sales volume for the first quarter of fiscal 1992 decreased (approximately $1,862,000) over the fiscal 1991 first quarter (comparable quarter) due to the continued recession in the U.S. economy. The declines in sales volume were experienced by all lines of business. Global's manufacturing operations experienced a decline from the comparable period of approximately $769,000 and the material handling business experienced decline of approximately $890,000 over the comparable quarter. Costs of goods sold as a percentage of net sales increased slightly (80.0% to 80.2%) due to increased competitive pressures in the marketplace. Selling, General and Administrative costs declined approximately $73,000 over the comparable quarter due to various cost reduction activities as well as the reduced sales volume. Selling, General and Administrative costs as a percentage of net sales increased however, (28.6% vs. 17.2%) largely due to the decline in net sales. The decline in interest expense of approximately $19,000 was due to declining interest rates. The Company has recorded a Federal Income Tax benefit due to the current quarter loss. The Federal Income Tax benefit is generated by the carry-back of the loss in the first quarter of fiscal 1992 to earlier tax periods. The Company's remaining benefit from a loss carryback is not significant.

The consolidated bookings level continues to be light as many capital improvement projects continue to be delayed due to the current recession. Consolidated backlog at January 31, 1992 was approximately $1,814,000 vs. approximately $5,207,000 at January 31, 1991. Although, the current backlog level is lower than Global's historical average, the January 31, 1991 backlog was higher than previous historical levels due to several large bulk material handling projects for which orders were received just prior to October 31, 1990. If bookings levels remain light, sales volume will remain at or below the current levels. However, due to the unpredictable nature and timing of large projects on which the Company has and is continuing to bid, it is extremely difficult to predict future bookings or sales volume. The Company does have a significant amount of projects bid, some of which it expects will be purchased during fiscal 1992; however, no assurance can be given as to the timing or probability of these events. Quotation volume continues to be active, however, no assurance can be given that this will lead to increased bookings levels.

During the first quarter of fiscal 1992, it became evident that there would not be an immediate upturn in the U.S. economy. As a result, management determined to further reduce its overhead costs. Management feels these steps were necessary in light of the reduced bookings volume. The Company is anticipating Selling, General and Administrative expenses to continue to decline in the second quarter of fiscal 1992. Global is attempting to minimize its operating costs in light of the current U.S. economic recession, however, while remaining responsive to customer requests and opportunities. Continued weak economic conditions make it probable that the Company will experience a loss in the second quarter of fiscal 1992.

Liquidity and Capital Resources

The decline in bookings during the third and fourth quarters of fiscal 1991 caused Accounts Receivable to decline from their levels at October 31, 1991. Inventories increased during the first quarter of fiscal 1992, approximately $283,000 primarily attributable to increases in finished goods inventories. The Company's working capital ratio declined in the first quarter fiscal 1992 (1.76:1 vs. 1.86:1) primarily due to the funding of the first quarter of fiscal 1992 operating loss. Cash flow generated by operating activities was small due to the utilization of cash collected from receivables to fund work in progress and the operating losses.

The revolving loan facility is collateralized by Accounts Receivable and is renewed annually at the Corporation's fiscal year end. Availability under the revolving loan is based upon eligible Accounts Receivable less prior advances. On average, during the first quarter of fiscal 1992, Global had borrowed approximately 26% of its $2,000,000 revolving loan and had utilized approximately 42% of its availability under its revolving loan credit facility. Availability before advances during the first quarter of fiscal 1992 averaged approximately $522,000. The level of earnings reported year-to-date is insufficient to meet one of Global's loan covenants applicable to the Company's revolving and certain term loans. The lender has not taken any affirmative action with respect to this event. Management has obtained a waiver for a similar event in the past and it is anticipated that management will attempt to obtain a similar waiver in the future as required.

Global continues to explore and consider where appropriate, private and public offerings of its securities, the availability of acquisition related financing in private markets and possibly a refinancing of existing debt as additional sources of funds for its operations growth and expansion. Presently, Global's existing funds, bank credit facilities, and cash flow from operations, continue to be Global's major source of funds and should be adequate for the foreseeable future.

Corporate Matters

The Company's annual stockholders' meeting is scheduled for:

May 22, 1992
10:00 a.m.

at the Company's offices in Plumsteadville, PA.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

PART II - OTHER INFORMATION

Item 6

(a) Exhibits

None

(b) Reports on Form 8-K

None

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Global Environmental Corp.

By: ----------
(Signature)

Ward G Schultz

Chief Financial Officer

and Authorized Officer